

APPENDIX S

INDEPENDENT GOVERNMENT ESTIMATES

1. General. An IGE for A-E services will be developed from a detailed analysis of the SOW, assuming reasonable economy and efficiency, and modern and effective methods. An IGE shall not be based on a percentage of construction cost, arbitrary ceilings, the availability of funds, or any cost or pricing information provided by the A-E firm. The intent of an IGE is to determine a price for the required work which is fair and reasonable to the Government (Comptroller General decision Dworsky Associates, B-248216, June 18, 1992, 92-1 CPD ¶ 533).

2. Preparation. An IGE will be prepared by engineers, architects, and/or other appropriate personnel having expertise (education, training and professional experience) in the type of work being contracted. Where available, cost and pricing specialists or auditors should be consulted for information on overhead, labor rates, and other pertinent unit costs and prices. The Tri-Service CADD/GIS Technology Center Technical Report CADD-96-1 provides very useful guidance on estimating the cost of CADD services. An IGE will be marked "FOR OFFICIAL USE ONLY" and protected accordingly.

3. Approval. An IGE will be approved by a supervisor having expertise in the type of work being contracted. The level of supervisory approval will be appropriate for the complexity and dollar value of the contract action. An IGE will be approved prior to opening the related A-E price proposal. Internal management controls will be established to ensure that each IGE is prepared independently of the A-E proposal.

4. Revision. An IGE should be revised whenever there is a significant change in the SOW or a significant error or omission is discovered in the IGE. A revised IGE should normally be approved by the same person who approved the original IGE. Revision of an IGE is not required to justify accepting a proposal greater than the IGE if the significant differences are adequately explained in the PNM.

5. Statutory Limitation. The 6 percent statutory limitation for the "production and delivery of designs, plans, drawings and specifications" (FAR

15.404-4(c)(4)(i)(B) and 36.606(a)) will be carefully considered when preparing an IGE. An IGE will be clearly organized to show the elements of estimated price, including associated overhead and profit, subject to the 6 percent limitation, and the total of these elements of price expressed as a percentage of the estimated construction cost (excluding contingencies, and supervision and administration). For additional work or redesigned work, the estimated construction cost will be increased by the value of the additional or redesigned work (DFARS 236.606-70(b)).

6. Labor and Overhead Rates.

a. FFP Contracts. An IGE for a FFP contract will use labor and overhead rates representative of the class of A-E firms that have been selected as most highly qualified to perform the required work (EFARS 36.605(a)). Class includes such factors as firm size, market area, specialization, and capabilities¹. Appendix T lists sources of information on labor and overhead costs in the A-E industry. Rates for the Government or the firm under negotiation will not be used since the objective of an IGE is to independently estimate a fair price for a competitive and efficient private firm, not the Government nor the firm under negotiation, to perform the required A-E services. Arbitrary limits on the overhead and labor rates used in an IGE are prohibited.

b. ID Contracts. An IGE for an IDC will consist of an independent analysis of fair and reasonable rates for labor, overhead and other costs. An IGE for a task order will use the contract rates for labor, overhead, travel, supplies, services, and possibly profit (if the same profit rate is applicable to all orders).

7. Breakdown of Costs. An IGE will be

¹ For example, for a major military command headquarters, the IGE would likely use labor and overhead rates representative of national, "top 100" firms. Conversely, for a standard vehicle maintenance building at a typical Army installation, the IGE would likely use rates of local, small-to-medium size firms.

organized to correspond to each phase or sub-phase of work in the SOW. The estimated price for each phase or sub-phase will be itemized to show the direct labor costs, overhead costs, travel costs, other direct costs, and profit.

a. Direct Labor Costs. The labor-hours needed for each position classification (types of disciplines at certain levels of expertise) are determined by analysis of the required tasks and products in the SOW. Reasonable effort must also be included for project management, quality control and assurance, clerical support, and coordination between disciplines. The estimated labor rates for work of extended duration or for later phases of work will be adjusted for escalation. If the SCA applies to the contract, the labor rates and benefits for service employees must be at least equal to those in the appropriate DoL wage determination.

b. Overhead. Overhead costs (also called indirect costs) include overhead on direct labor and general and administrative overhead. FAR 31 provides detailed guidance on overhead costs. An IGE will normally be prepared using a single overhead factor which combines overhead on direct labor with general and administrative overhead, expressed as a percentage of the total direct labor costs. This method is representative of the accounting practices of most A-E firms and is compatible with the market surveys in Appendix T. Other overhead structures may be used in an IGE if representative of the class of firms selected for the work. An IGE may be prepared using separate overhead rates for the prime contractor and primary subcontractors if considered reasonable and typical for the type of work.

c. Travel. Travel requirements are determined from analysis of the SOW for tasks such as field investigation and meetings, based on the location of the firm selected for negotiation.

Typical travel costs include rental car, company car mileage, airfare, parking fees, and per diem expenses. The labor of personnel when traveling will be included in the direct labor portion of an IGE. The unit cost and quantity of each travel item will be identified. Per diem and airfare costs are limited by FAR 31.205-46. The prevailing privately owned vehicle mileage reimbursement rate for Government personnel will be used to estimate car mileage costs.

d. Other Direct Costs. Include all other necessary direct costs not included in direct labor and travel, and not ordinarily included in the overhead of an A-E firm. Commercial quotes from suppliers are usually available for these items. Typical other direct costs include: reproduction of documents for Government review, supplies, photographs, renderings, models, colorboards, long distance communications, laboratory tests, computer use, and postage.

e. Profit. Profit rates will be determined in accordance with EFARS 15.973-101. The profit rate will be applied to all costs (direct labor, overhead, travel and other direct) to estimate the dollar amount of profit. An IGE will not be structured with redundant levels of profit (no profit on profit)². Hence, if an IGE is structured with subcontractors, the estimated costs (without profit) for the prime contractor and the subcontractors will be added to give the total cost base for applying the profit rate.

²The EFARS alternate structured approach to the weighted guidelines method (WGM) for A-E contracts yields profits which are substantially greater than the WGM in DFARS 215.404-71. Hence, estimating additional profit for layering of subcontractors is not warranted.